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Folio:

MAY 1988 THE MAGAZINE FOR MAGAZINE MANAGEMENT $6.00

Regional magazines: Shakeup and shakeout

Regional consumer and business magazines are bobbing and weaving to maintain their positions in a changing marketplace. Given that regionals are a category in which it can be tough to earn a dollar, questions arise: Which ones will survive? Which ones will flourish? How many will go down for the count? **100**

New postal rates create new headaches

What's the alternative to forking over 18 percent more in postal costs? Publishers are scrambling for answers. **30**

A *Nation* divided

Thirty-four staffers of *The Nation* protest publication of a 'sexist' cartoon about Frances Lear. Why did the editor of this liberal magazine choose to run it anyway? **40**

Vanity Fair adopts 'star wars' publishing

Satellite technology allows this monthly to cover news just days before printing. **34**

DAVID CARTER

Eye of the storm

Editor Dr. George Lundberg invites controversy with mercy killing story. **63**

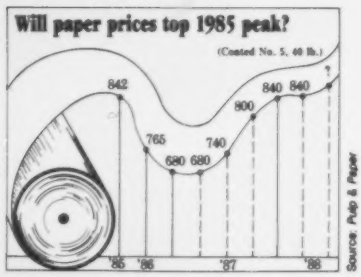
New rival surfaces in the battle for advertising dollars: Cable television

Walking softly and carrying big audience numbers, cable TV is out to capture the ear of media buyers. Detailed demographics? Cable's got them. Targeted programming? That's cable. Well-heeled viewers? Cable again. Although it may never become a potent media buy, expect cable to shake up the ad market a bit. **34**

May 1988

Paper prices keep rolling up with no slowdown (yet) in demand 32

Coated paper prices are zooming toward their 1985 high and beyond. Relief may come only at the price of a recession, say buyers.



Circulators and the paper glut 110

Too much to read? Too little time? What you need is a system to organize your reading matter in terms of its utility in helping you make the best business decisions.

What makes a great editor? 130

It takes more than insight, more than the skills to manage, shape, delegate, judge, negotiate, solve. More than the ability to write and edit. A great editor is psychologist, sociologist, crusader, diplomat. And more. Much, much more.

Magazines as moneymakers 118

If you thought the profitability of magazines is not great, you're right. But then again, maybe you're wrong.

Desktop user's report 140

One step at a time is the way *Yacht Vacations* set up its microcomputer production system and began reaping significant savings of time and money.

Circulation hits six-year peak 29

Consumer magazines are finding more subscribers than ever, according to the Audit Bureau of Circulations. But, except for newsweeklies and a handful of monthlies, newsstand sales keep slipping.

UPDATE

Smaller magazines squeezed out of cable. 29

Low cost electronic publishing venture. 35

Circulators: Stay tuned to catalogs. 39

Late delivery for 73% of monthlies. 42

DMA seeks private delivery. 47

'Hot tips' sell ad pages. 48

Business magazines receive Neal Awards. 52

COLUMNS

Privacy: Past and present, by Slade Metcalf. 144

Nondisclosure agreements, by Hershel Sarbin. 167

***Prima*:** Clutter or quick read? by John Peter. 171

Evaluating production managers, by Jeff Parnau. 174

PR mileage from editorial, by Charles Haberstroh Jr. 178

DEPARTMENTS

Briefings 7

Joe Hanson on Magazines 13

Letters 16

Update 29

Magazine People 63

Magazine Watch 69

List Watch 83

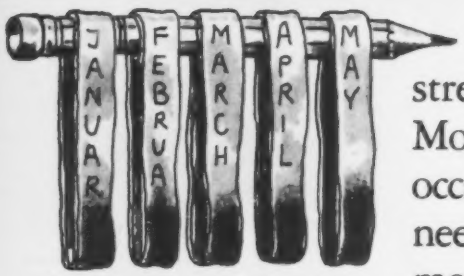
Calendar 97

Literature Showcase 158

Classified 182

Point of View 192

We keep an elastic calendar.



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Folio: Vol. 17 No. 5

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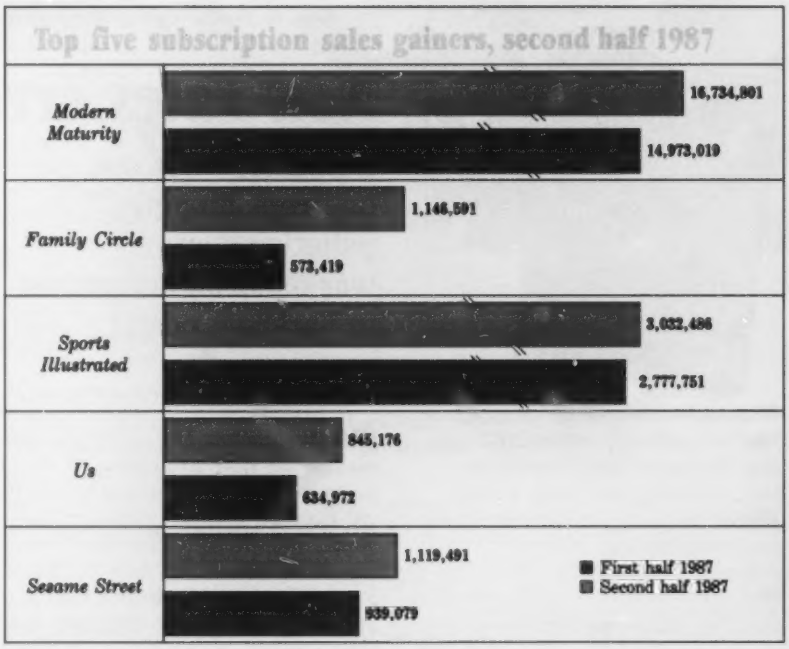
UPDATE

Consumer magazines hit circulation peak

ABC statistics show overall growth is strong, though newsstand sales continue slide



The "golden years" boom helped Modern Maturity *hit number one in subscription gains and number two in total circulation. Only* TV Guide *has more readers. Other titles in the top 10 of subscription gainers are* The Star, Runner's World, American Health, Game & Fish *and* People.

The circulation picture for the second half of 1987 was the most positive in six years, asserts E. Daniel Capell, circulation consultant. Overall circulation was up for 69 percent of the consumer magazines audited by the Audit Bureau of Circulations (ABC), according to FOLIO:'s analysis of ABC's Fas-Fax report. This compares to a 60 percent increase registered for the first six months of the year, and a 52.6 percent increase for the last six months of 1986.

On the down side, however, single copy sales continued to slide. Fifty-one percent of the titles posted single copy gains, compared to 53.8 percent in the first half of the year. Total newsstand sales slipped 9.3 million, to 79,330,021.

Subscription units, however, climbed to 239,009,311, up by about 2.5 million, with 70 percent of the titles posting gains.

"It is disturbing that the total number of ABC magazines' newsstand sales continue to decline," observes David Foster, circulation consultant. "Every percentage point means a lot of money to the wholesalers. Ultimately, if they can't make the profits on magazines, they will have to turn to other things."

Modern Maturity leaps ahead

Once again, *TV Guide* was the leader in total sales, with 16,969,260 average units sold per week. The total reflects a 6.2 percent gain in subscrip-

(CONTINUED ON PAGE 57)

Smaller magazines squeezed out of cable

Influx of big advertisers means less air time and higher prices

In a year dominated by Presidential politics and the Olympics, smaller magazine publishers are finding it more expensive and more difficult than ever to obtain new subscribers through cable television. Some magazines are consequently running fewer cable TV ads in 1988.

Cable has traditionally offered a strong advertising alternative to smaller magazine publishers and other direct marketers. But now major consumer product companies are squeezing out publishers by moving to cable in droves, says John Squires, circulation

Paper buyers brace for another hike

Supply is tight, mills are fat and happy—only a recession may turn prices around

The unpredictable paper market of the last few months has buyers braced for a July price hike.

Following three consecutive quarterly price increases for lightweight coated No. 5, many buyers were certain of a fourth jump on April 1. Although that increase never materialized, supply for most common printing grades remains extremely tight, and publishers expect their demand to hold through 1988.

If the economy remains as it is, and ad page sales hold, a July 1 price increase is likely, predicts Richard Brown, vice president, Alling and Cory.

Fears of a price increase are further fueled by March's 5 percent to 6 percent increases in No. 4 prices. Many buyers saw the increase as a test balloon for a general price hike.

The question mark, however, is demand. An economic recession, which many buyers fear in 1989, could slow advertising and thus demand.

Catalogs and direct mail also play a role. Last year at this time, mail-order houses, stocking up for huge fall mailings, launched the market into a supply squeeze that set off the recent series of price increases. Whether that surge in demand will recur this May is a matter of much nervous speculation.

Not trusting future demand, sources say, paper mills are looking for whatever increases they can get while demand is firm.

Mixed signals

A number of other market variables complicate the pricing equation. Postal rate increases may loosen supply by forcing magazine and catalog publishers to reduce publication sizes and pressruns. If the dollar remains cheap abroad, U.S. mills may sell more of their output in overseas markets. Expiring labor contracts at pulp and paper mills could result in short-term supply crunches. And continued aggressive increases in pulp prices may force paper mills to hike prices further.

However, as mills approach the price peak reached in 1985, they face greater resistance from their customer base. "[Recent increases] were easy when the paper mills were just trying to regain lost territory," says Brown, "but now they are venturing into virgin territory."

Paper mills cite rapidly rising pulp prices as justification for recent price hikes. April 1 marked the tenth consecutive quarterly pulp price increase, and paper buyers agree that those prices will increase at least once more this year. Apparently, pulp is in short supply, and little new capacity is in sight, notes a major magazine paper buyer. This source, however, like many other buyers, believes that pulp accounts for only a third of paper costs.

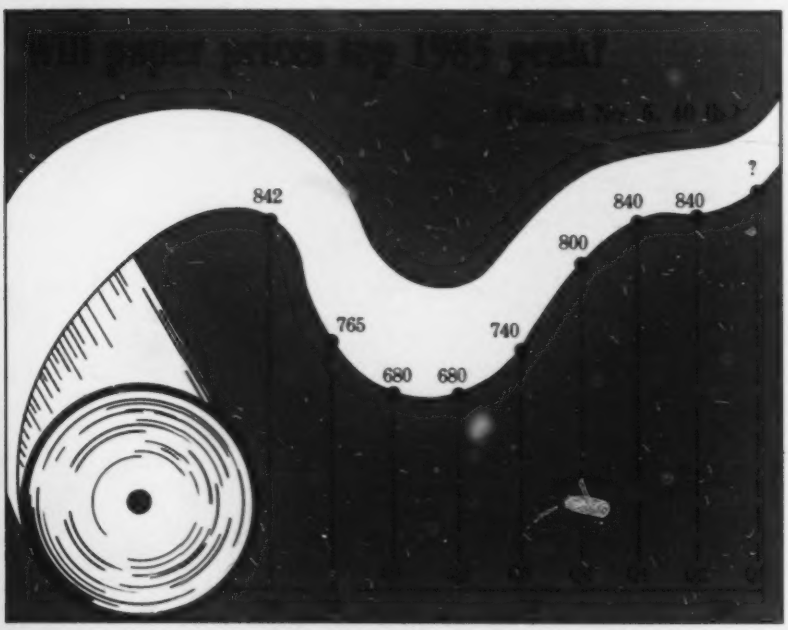
Strategic pricing

Many buyers, too, cite reports that paper manufacturers are riding atop their highest profits in years. "Prices are below their 1985 levels," concedes Arthur Escudero, paper buyer for The Hearst Corp., "but look at their profit/loss statements. I don't hear anyone crying the blues."

As the market equation becomes more complicated, paper mills have apparently launched a more calculated pricing approach, according to Rick Irwin, general manager, Gould Paper Corp.'s publication division. The March increase, for example, raised No. 4 prices nearly 26 percent over a year ago, and pushed the difference between No. 4 and No. 5 grades to an all-time high—about $135 per ton. As a result, several No. 4 users have asked Irwin to investigate a switch to No. 5 papers, many of which have been improved to near-No. 4 quality.

No. 5, however, is already difficult to find. Since last fall, most mills have operated on allocation, and at least one mill cut allocations by 5 percent this year. Suppliers such as Robert Bamman, chairman, Paper Sales Corp., say that every ton available from one magazine's cutback is quickly absorbed by another magazine's expansion. The increased demand is virtually certain to lead to higher prices this summer.

A year ago, the industry was concerned about oversupply. Prices were depressed and a number of major new coated No. 5 machines were yet to come on-line. Today, with those machines in operation, the industry is



Source: *Pulp & Paper*

Unless demand curbs sharply, there's no end in sight for prices of lightweight coated groundwood paper, sources say.

operating at about 93 percent of capacity and Blandin Paper Company is the only manufacturer to announce additional coated groundwood capacity. Its new 180,000-ton machine will open in late 1989.

Bringing some relief are foreign suppliers who have some 400,000 tons of new coated groundwood capacity, as well as several rebuilt machines, coming on-line in the next two years. Most of the new supply is destined for the U.S. market, says Donald Berkowitz, executive vice president, Central Paper Company.

Although the coated free sheet market is currently on allocation as well, it may see a surge in supply over the next few years, thanks to new and rebuilt machines at Repap Enterprises, Potlatch Corp. and S.D. Warren Co. Champion plans to start operating a new 180,000-ton coated free sheet machine in 1991.

Ironically, No. 2 and No. 3 free sheet grades are the only areas of the market showing signs of loosening supply—small tonnage has been available on a spot market basis. User inventories of those grades have apparently been substantially rebuilt. Irwin notes that some experts have suggested that free sheet grades will go off allocation this month.

Labor contracts also bear watching, particularly at S.D. Warren's Somerset plant, where the contract expires October 1. Alling and Cory's Brown notes, however, that most mills in recent years have kept working through strikes, at a reduced rate or with replacement workers.

In the final analysis, some skeptical buyers question whether mills are producing as much paper as they could. One source claims that reported capacity levels don't quite jibe with shipments. Noting that only one new mill has been announced, he says, "If the market were that tight, wouldn't you think that someone would start thinking about new machines?"

Even some paper merchants have begun to side with publishers. "We would hope that the mills start to show some restraint in price increases," says Bamman. "Certainly their profit levels and stock prices indicate that they are not under the gun for performance improvements like they were a couple of years ago."—*P.F.*

Williamson, Green resolve libel case

Settlement agreement describes facts of early *Byte* ownership

In January 1985 FOLIO: published an article, based on an interview with Wayne Green of Peterborough, New Hampshire, titled "Green: A shade ahead of the market."

In June 1985 Virginia Williamson of Massachusetts filed a libel suit for $5,000,000 in damages against Mr. Green in Federal Court in New Hampshire. Mrs. Williamson claimed in part that the FOLIO: article was false and defamatory and had damaged her reputation. The suit was recently settled in favor of Mrs. Williamson for a substantial sum of money; as part of the settlement, Mrs. Williamson and Mr. Green agreed that:

"At its inception and at all times up to the sale to McGraw-Hill, Inc., *Byte* magazine was the property of Green Publishing, Inc., which was lawfully owned by Virginia Williamson and/or Carl Helmers. Virginia Williamson lawfully moved the assets of Green Publishing, Inc., including *Byte* magazine, from its first headquarters on Pine Street in Peterborough, New Hampshire, to its second headquarters in the Guernsey Building in Peterborough, New Hampshire, in late fall of 1975, and lawfully sold *Byte* magazine to McGraw-Hill in 1979.

"At the time the assets of Green Publishing, Inc., including *Byte* magazine, were moved from Pine Street to the Guernsey Building, there were no bills that Virginia Williamson had left behind. Green Publishing, Inc., owed money to 73, Inc., and, in turn, 73, Inc., owed certain sums to Green Publishing, Inc. The resolution of those obligations was to be settled through an accounting procedure outlined in a December 1975 agreement. Ultimately, litigation was filed and counterclaims were advanced. The litigation between 73, Inc., and Byte Publications, Inc., did not involve the ownership of Green Publications, Inc., Byte Publications, Inc., or *Byte* magazine.

"Mr. Green specifically acknowledges that neither Mrs. Williamson nor Charles Leahy, Esquire, engaged in or promoted any unlawful conspiracies or conduct in connection with the ownership of Green Publishing, Inc., or *Byte* magazine. For her part, Mrs. Williamson expressly acknowledges that Mr. Green did not engage in or promote any unlawful conspiracies or conduct in connection with the ownership of Green Publishing, Inc., or *Byte* magazine.

"Mr. Green and Mrs. Williamson further agree to refrain from any future public comment regarding either party's ethics or morality in connection with the circumstances pertaining to *Byte* magazine from 1975 until its acquisition by McGraw-Hill Corporation.

"Without any acknowledgment by either party of the status of either party as a 'founder' of *Byte* magazine, each party expressly agrees to forbear from any litigation against one another or any entity owned by or controlled by either party over the limited issue of 'founder' status. The parties reserve their respective rights to litigate any future statements by either of them concerning *Byte* magazine which are broader than the claimed status of either as a 'founder' of *Byte* magazine."

FOLIO: regrets any damage that may have been caused Mrs. Williamson.□

PIB revenues up 19.9%

February advertising revenues were up 19.9 percent from a year ago for the approximately 156 titles tracked by the Publishers Information Bureau (PIB). The total, $486.5 million, is a record for the month.

Ad pages for February were up 10.3 percent, to 13,772.10.

The increases are due, in part, to the fact that five Mondays fell in February, giving PIB more weekly titles to measure, says Robert Farley, PIB president.

Some of the top categories were automotive (up 25.4 percent), travel (up 23.7 percent) and apparel and footwear (up 12.4 percent).

Edward Sorel. Feiffer said it was wrong to repress a brilliant artist. Lear thanked the staff for its support. Sorel insisted he isn't sexist, stating that he quit working for *Penthouse* for $2,000 a cartoon and started working for *The Nation* for $125 after his daughter raised his consciousness. "Few have paid so high a price in support of feminism," he says.

Sorel's intent, he claims, was to point out hypocrisy. "Ms. Lear is not using her millions to help other women, as she professes, but to buy herself instant celebrity," he asserts.

The aftermath: "There are no hard feelings on the staff now," says Lingeman. "Nobody quit over this, although there were some threats. We're able to have political differences and still work together, but it does put a strain on you."—*B.L.*

73% of monthlies delivered late

Late delivery of monthlies improved three percentage points during the last quarter of 1987, but still proved that nearly three-quarters of monthly publications are not delivered within Postal Service standards. Of the 22 cities highlighted here, service from Milwaukee is still the poorest, with 96 percent of monthlies delivered late; in the previous quarter, the city had a 100 percent late score. New York is second to last, with an 85 percent late tab. Phoenix still holds the number one spot, delivering 75 percent of monthlies on time or better. Minneapolis and Seattle deliver almost 60 percent of monthlies on time or better.

Publications delivery box score: Monthly second class publications, October 1-December 31, 1987

City/Zip Code	Better than USPS standard	Service standard	1-6 days late	Later
Composite average*	9 %	18 %	68 %	5 %
Boston (021)	20	31	41	8
New York (100)	3	12	74	11
Buffalo (142)	0	29	71	0
Pittsburgh (152)	1	22	70	7
Philadelphia (191)	12	7	69	12
Washington, D.C. (200)	4	17	76	3
Atlanta (303)	12	8	77	3
Miami (331)	26	27	43	4
Memphis (381)	0	10	69	21
Cincinnati (452)	5	20	70	5
Detroit (482)	8	4	76	12
Milwaukee (532)	0	4	96	0
Minneapolis (554)	25	33	38	4
Chicago (606)	3	15	80	2
New Orleans (701)	18	3	79	0
Dallas (750)	0	13	87	0
Houston (770)	7	21	72	0
Denver (802)	14	25	57	4
Phoenix (850)	50	25	25	0
Los Angeles (900)	0	14	74	12
San Francisco (941)	22	32	42	4
Seattle (981)	34	22	33	11

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

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Delivery late for more than half of weeklies

Fifty-two percent of weekly publications were delivered late during the last quarter of 1987—just a slight improvement over the 54 percent late delivery score registered for the third quarter. The best marks once again belong to San Francisco, which delivered 64 percent of weeklies on time and had only 16 percent arriving later than one day. Seattle also did well, with 63 percent on-time delivery. Conversely, New Orleans delivered 81 percent of weeklies one day late or later, and Philadelphia was in second to last place with a 74 percent late record.

Publications delivery box score: Weekly second class publications, October 1-December 31, 1987

City/Zip Code	On time	1 day late	Later
Composite average*	48 %	27 %	25 %
Boston (021)	44	31	25
New York (100)	49	32	19
Buffalo (142)	55	26	19
Pittsburgh (152)	41	33	26
Washington, D.C. (200)	52	24	24
Atlanta (303)	52	29	19
Miami (331)	49	29	22
Memphis (381)	41	33	26
Cincinnati (452)	39	35	26
Detroit (482)	61	25	14
Milwaukee (532)	57	23	20
Minneapolis (554)	60	23	17
Chicago (606)	49	24	27
New Orleans (701)	19	22	59
Dallas (752)	46	29	25
Houston (770)	52	29	19
Denver (802)	38	31	31
Phoenix (850)	37	29	34
Los Angeles (900)	56	22	22
San Francisco (941)	64	20	16
Seattle (981)	63	20	17

*Includes other U.S. cities and SCFs not listed
Source: Red Tag News Publications Association, Inc.

DMA pushes for private delivery of third class mail

Now that the cost of mailing a subscription offer has shot up an average 25 percent, the Direct Marketing Association (DMA) is trying to bring some relief by pushing for private delivery of third class mail.

The DMA Government Affairs Committee is working out third class alternative delivery proposals with former Meredith Corporation executive Robert Inhofe, who led the second class private delivery effort in the late 1970s. Proposals were slated to be presented to the Postal Service in late April.

To set up third class private delivery, Inhofe says, it may be necessary to repeal or modify the private express statutes that give the Postal Service a monopoly on it. The DMA is also seriously considering a 3/4-cent stamp for use on pieces delivered by private deliv-

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company brings to such groups all publications available in the field, and hires a professional moderator to solicit opinions on the magazines from attendees. One such session, he says, caused his company to switch a publication from biweekly to weekly frequency.

Lebhar-Friedman also requires writers from each publication to spend three days annually interviewing people at a major company in the magazine's industry. The editors then file a report on the company—not for publication, but to disseminate information within the publishing firm.

Such information is also used to find out where the industry is growing. With this knowledge, managers construct an action plan for each magazine: One magazine, for example, may feel that industry growth in a certain area of the country may warrant opening a bureau there.

Editors can also provide a certain amount of sales support for the publisher—without compromising editorial, Mahler adds. Occasionally, his company's editors meet with sales staff, or even advertisers. "The editor knows the mission of the magazine, and can speak eloquently about what the magazine can accomplish." It's a mistake, however, for editors to carry a rate card or promise a story, he says.

"The editorial calendar provides the greatest amount of interface with editorial and sales," he notes. "But anything on the calendar should *first* be reader-driven, and second, be sales-driven." He suggests that editors limit the number of preprinted articles or preplanned stories on the calendar in order to build a few surprises and timeliness into the magazine.□

Consumer magazines peak

(CONTINUED FROM PAGE 29)

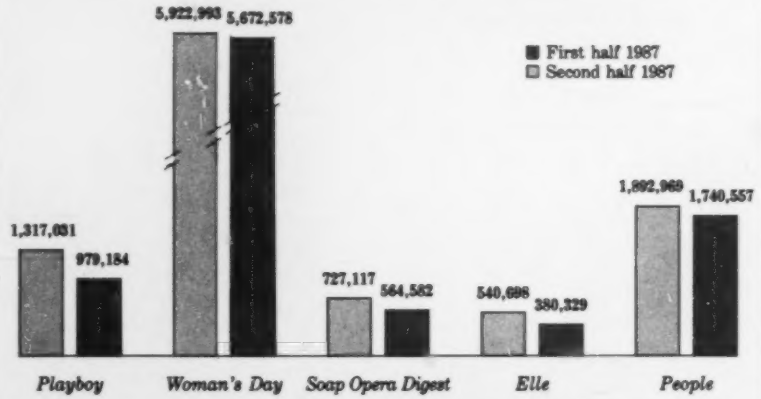
tion sales over the same period a year earlier, but a 4.1 percent decline in single copy sales.

Modern Maturity knocked *Reader's Digest* out of its accustomed second-place slot, reporting a total 16,734,801 circulation, all subscription, for the six-month period. Third-place *Reader's Digest* reported a total of 16,566,659, a 0.2 percent decline from the same period a year ago. Rounding out the top five are *National Geographic* (10,498,594) and *Better Homes and Gardens* (8,012,659).

Playboy gained the most in single copy unit sales—34.5 percent—thanks to its Jessica Hahn feature. That issue sold 2.6 million copies, more than twice as many as other *Playboy* issues. According to Richard Smith, circulation director, the magazine also gained back approximately 20 percent of the retail outlets that had dropped the title after the Meese Commission released its report on pornography in 1986. (Competitor *Penthouse* was down slightly in overall circulation.)

Woman's Day was in the number-two spot for single copy sales, gaining

Top five single copy sales gainers, second half 1987



***A Jessica Hahn cover story,** along with friendlier relations with retailers, put* Playboy *in the lead. Other titles in the top 10 are* Redbook, Woman's World, Vanity Fair, Country Living *and* Cosmopolitan.

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250,415 in weekly sales. Other top 10 unit gainers were *Elle, People, Woman's World* and *Vanity Fair*.

The biggest jump in total circulation was made by *Game & Fish*, which leaped 70.5 percent. Others in the top 10 in circulation growth include *European Travel & Life, Runner's World, Cook's, Entrepreneur* and *Vanity Fair*.

Newsweeklies stagnate

The newsweeklies, all of which gained circulation in the first half of the year, were stagnant in the second half. Single copy sales, however, were markedly up for *Time* (10.3 percent) and *U.S. News & World Report* (12.4 percent).

The Seven Sisters, as usual, reported mixed results. Most notable was *Family Circle*'s 100 percent gain in subscriptions, reflecting the title's effort to expand that base, notes Foster. Although the magazine's overall circulation was down 7.8 percent, to 5,773,484, subscriptions accounted for 9 percent of that total.

Woman's Day was also noticeably going after subscribers, posting a 37.7 percent gain. Overall circulation was up by about 5 percent, while single copy sales were up 4.4 percent.

Other modest circulation gainers were *Ladies' Home Journal, McCall's* and *Redbook*.

Among other women's titles, *Elle* was the clear leader, posting more than a 40 percent gain in overall circulation, as well as in subscription and single copy sales. *Working Woman*'s circulation was up 10.3 percent, with a 6.9 percent gain in subscription sales and a hefty 80.3 percent gain in single copy sales. *Savvy* leaped 16.7 percent in overall sales, but single copy sales sagged by 35.4 percent.

A new cover design helped *Ms.* increase single copy sales by 14.4 percent, but overall circulation was up by less than a full percentage point. Other titles that showed gains included *Working Mother, Harper's Bazaar, Modern Bride, New Woman, Self, W* and *Woman*. Overall circulation losers were *Vogue, Glamour* and *Mademoiselle*.

Good news from Black Monday?

October's Black Monday was good news for the single copy sales of the business titles. *Inc.* gained 26.7 percent, *Business Week* jumped 29.5 percent, *Fortune* was up 17.4 percent, and *Harvard Business Review* posted a 16.2 percent increase.

Both *Money* and *Changing Times* were down slightly in overall circulation, while *Sylvia Porter's Personal Finance* was up 14.3 percent. *Venture* registered a 29.8 percent gain in overall sales, reflecting a 33 percent gain in subscription sales, but a 16.1 percent loss in the single copy area.

The Economist, the British magazine that launched a major effort in 1986 to increase its U.S. sales, edged into double digits in subscription and single copy gains, for an 11.3 percent overall circulation rise.

Sports titles showing healthy gains included *Inside Sports* (up 15.2 percent overall) and *Sports Illustrated* (up 8.8 percent). *Sport* was down slightly.

Among city and regional titles, *Alaska* increased overall circulation 37 percent, despite a single copy drop of 16.7 percent. *Manhattan, inc.* posted a 27.4 percent increase overall, reflecting a whopping 182.2 percent gain in single copy sales and an 8 percent increase in subscriptions.

The Texas publishing climate may be improving, with *Texas Monthly* up 18.1 percent overall, and *D*, a Dallas magazine, up 15 percent. Both titles gained in single copy and subscription sales.

In health and fitness, *American Health* gained 15.3 percent overall, while *Health* was flat in circulation. *Prevention* was up 2 percent in overall circulation, reflecting a 31.2 percent rise in single copy sales. Strong showings were also posted by *Runner's World* (up 55.8 percent), *Golf Illustrated* (up 45.1 percent), *Cyclist* (up 20.7 percent) and *Shape* (up 14.1 percent).

Strong general interest titles included *Vanity Fair*, up 42.6 percent overall, with a 31.7 percent gain in subscriptions and a 72.9 percent jump in single copy sales. *American Heritage*

Largest percentage circulation gains, second half 1987

	Circulation	% increase
1. *Game & Fish Magazine*	411,612	77.1
2. *European Travel & Life*	221,685	70.5
3. *Teen Beat*	263,202	59.9
4. *Runner's World*	451,512	55.8
5. *Cook's*	201,343	46.2
6. *Entrepreneur*	193,904	45.9
7. *Golf Illustrated*	271,770	45.1
8. *Vanity Fair*	595,844	42.6
9. *Bird Talk*	123,134	42.4
10. *Elle*	851,152	41.7

With subscriptions up 87.5% and single copy sales up 60.4%, Game & Fish *became the big winner in overall circulation.*

Largest percentage circulation losses, second half 1987

	Circulation	% decline
1. *Private Clubs*	82,969	−53.2
2. *High Technology Business*	183,260	−36.8
3. *Star Hits*	71,353	−26.5
4. *Unique Homes*	66,720	−22.5
5. *Guns*	101,151	−22.4
6. *High Fidelity*	281,184	−20.5
7. *Cashflow*	7,742	−18.5
8. *Compute!'s Gazette*	225,460	−18.2
9. *Discover*	1,093,959	−17.7
10. *Good Food*	785,234	−17.5

Discover ***and*** **Good Food** *made gains last year by absorbing other magazines' subscription lists, but proved unable to hold on to some of those readers.*

was up 27.9 percent in overall circulation, but dipped in single copy sales. *The Atlantic* and *Harper's* were up only slightly in overall circulation.

Among shelter titles, *The Old-House Journal* registered a 16.2 percent overall circulation climb. *House & Garden* (recently dubbed *HG*) was up 13.9 percent overall, while *Home* increased by 12.4 percent. Both showed gains in subscriptions and single copies.

Metropolitan Home dipped slightly overall by 1.9 percent, although the magazine gained 24.3 percent in single copy sales. *1,001 Home Ideas* was down by 1 percent, reflecting a 12.1 percent decline in single copy sales and a 0.6 percent drop in subscriptions.—*J.A.*

Resources

A free 24-page booklet of telemarketing tips, **"17 Costly 'Little' Telemarketing Mistakes and How to Avoid Them,"** outlines some of the errors that circulation managers can learn to avoid. Write: Mardex Inc., Suite 530, 150 Fifth Ave., New York, N.Y. 10011. Telephone: 212-675-1008.

The 1988 ***Computer Graphics World Buyers Guide*** contains information on more than 2,300 graphics products from over 1,000 graphics vendors worldwide. Company listings are alphabetized by company name and include address, telephone number, telex/fax, key personnel, year founded, markets served and a description of products and services offered. The guide is indexed by application and product type. Price: $80. Write: Patsy Russo, Pennwell Books, P. O. Box 21288, Tulsa, Okla. 74121. Telephone: 918-831-9421.

Durbin Associates' book, ***1988 Phototypesetter Comparison Charts,*** supplies information about 53 phototypesetters currently sold in the United States by 11 vendors, including keyboard-controlled (direct entry), CRT (third generation) and laser (fourth generation) typesetters. Tutorials, vendor names and addresses, and seven 11" x 17" fold-out comparison charts displaying more than 30 significant typesetter details are also provided. Price: $25. Write: Durbin Associates, 3711 Southwood Dr., Easton, Pa. 18042. Telephone: 215-252-6331.

Looking Good in Print: A Guide to Basic Design for Desktop Publishing addresses basic techniques for producing effective, graphically appealing documents, including newsletters, correspondence, brochures, print advertising, flyers and technical documentation. In addition to covering mechanics and offering tips, the 210-page, soft-cover, illustrated book features 14 design make overs with step-by-step examples of improved design. Price: $23.95. Write: Ventana Press, P. O. Box 2468, Chapel Hill, N.C. 27515. Telephone: 919-490-0062.

Top Management Guide for Printers & Publishers, a 27-chapter reference for graphic arts managers available from the Association of Graphic Arts Consultants (AGAC), is a collection of ideas, formulas, charts,

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Regional magazines:

Regional consumer and business publications are bobbing and weaving to maintain their positions in the marketplace. Which ones will make it?

Regional consumer titles: How healthy are they?

BY MICHAEL COUZENS

"Your location" magazines—the city and regional titles that propagated like rabbits in this decade—have become a mature category of niche publications. The niche is at or passing its zenith. Does this mean that some of these magazines are approaching a decline? Will we see fewer titles offering a leaner, slightly different, yet still desirable product?

Magazines serving a smaller community may already be in financial difficulty. If the local title is highly refined, as are *Location Business*, *Location Style*, or *Location Home and Garden*, it may be resting on an extremely shaky foundation.

These conclusions emerged from discussions with publishers, editors and analysts. Optimistically the experts note that this year, demand for national and local advertising is up, boosted by the Olympics and paid electioneering. Magazines are benefiting from this tight market, but the experts believe the gain will be temporary, and that it cannot be expected to benefit every local magazine.

In Texas, where the economy soured, *Houston City*, *Texas Homes*, *Third Coast* (Austin city), and a handful of local business titles have all gone to the last roundup. Even the luminous *Texas Monthly* has had to execute a financial stutter-step or two. And Terry Murphy, former publisher of *D Magazine*, predicts that ad pages in Texas will have dropped from 9,000 in 1984 to 4,500 when the totals are in for 1988. "You can take those numbers to the bank," he declaims in Dallas talk.

The question in the minds of many "Your location" publishers is, Can Texas happen here? Recalling their own patches of hard times in recent years, Iowans, Manhattan stockbrokers and the residents of Silicon Valley in California are among those who know better than to imagine they live in a regional safe-haven economy.

Peter Craig, a publishing consultant who appraises and brokers magazines through his Los Angeles firm, states, "In a cluttered marketplace, there are too many books. There is bound to be a shakeout." Whit McDowell, executive director of the City and Regional Magazine Association (CRMA) in New York, is upbeat only by comparison. "*Houston City* folded because of the local economy. But CRMA has not lost a single member." The members, though, are some 45 of the sturdiest titles, and they are all required to have Audit Bureau of

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Michael Couzens, author of the consumer section, is a communications attorney practicing in San Francisco. Karlene Lukovitz, author of the business section, page 108, is a freelance writer. She was previously executive editor of FOLIO: *and editor of* Inside Print.

Shakeup and shakeout

Circulations (ABC) audits. Another 220 similar titles McDowell calls "little," and he sees dicey prospects for—using his fictitious example—*Bakersfield Lifestyle*.

Magazine markets in the "Your location" category are splintering at an alarming rate, with new titles addressing more and more narrow areas of interest, and focusing on more precise demographic targets—whether women, travelers, home owners, the active rich or the idle rich. Obviously, narrowing the audience from the start is risky, but the implications become harrowing when it is noticed that many leading publishers, owning the strongest titles in the category, are busy doing precisely the opposite, through mergers and acquisitions. This is not limited to *Texas Monthly* buying out *Houston City* or its mailing list. The premier firms, including owners of *Boston, Los Angeles, Texas Monthly* and a few others, have sought to align themselves into supergroups, or joint ventures, able to share overhead and to hustle national advertising accounts. If shakeout there shall be, the marginals will falter and fail, but the powerhouses will lose nothing, and could emerge as even hardier competitors.

Proliferation despite the economics

Mike Levy, who founded *Texas Monthly* 15 years ago, says, "I get the calls all the time. Someone calls and says, 'I want to be a media baron, a publishing magnate. What do I need to know to get started with *Des Moines Magazine*?' Big problem is, the fixed costs—salaries, staff and rent—are the same whether it's our circulation of 295,000 or a circulation of 50,000. The costs can't be spread on too small a base."

Apparently, when Levy talks, no one listens. New titles are cascading into public view. Everyone has a favorite example of a title that simply does not compute. For Terry Murphy it is *Rochester Woman*. "Why on earth discard half your potential readers?"

Peter Craig marvels that anyone would invest $4 million in *San Diego Home and Garden* for the purpose of butting heads with the redoubtable Ed and Gloria Self, whose *San Diego* was the first and remains one of most successful city titles. (Even North San Diego County now sports its own title, *La Jolla*.) Consultant Jim Kobak thinks some cities simply ought not to have a city magazine: *Wichita*.

Philip Merrill, publisher of *The Washingtonian* and *Baltimore*, ticks off the names of competitors in and around the Capital Beltway: *Regardie's, Dossier, The Washington Post Magazine, Dominion, Apartment Life,* and at least 10 other publications having a little niche on the market.

> "Magazines serving a smaller community may already be finding themselves in financial difficulty."

At some point, we lose sight of the "Your location" titles, and see an even broader arena. For example, Merrill states that he competes to some degree with *Playbill, Promenade* and *Guest Informant*.

What is a regional?

A stratum of magazine publishing, referred to in this article as "Your location" titles, is defined by CRMA's McDowell as "geographic specialty magazines." Merely by convention,

Circulation performance of consumer regionals

Circulation gainers

(5% or more gain in total circulation 1984-1987)

	June 1984	June 1987	Gain	
1. Indianapolis Monthly	25,314	41,927	+16,613	(+65.6%)
2. Detroit Monthly	37,480	57,347	19,867	(53.0)
3. Southern Accents	171,278	244,638	73,360	(42.8)
4. Alaska	150,364	212,888	62,524	(41.6)
5. Connecticut Magazine	68,644	93,087	24,443	(35.6)
6. Florida Sportsman	74,381	100,353	25,972	(34.9)
7. California	264,596	356,775	92,179	(34.8)
8. Pacific Northwest	55,789	70,511	14,722	(26.4)
9. Texas Fisherman	52,085	65,396	13,311	(25.6)
10. Palm Beach Life	16,010	19,971	3,961	(24.7)
11. San Francisco Focus	170,612	207,542	36,930	(21.6)
12. Ohio Magazine	87,215	104,103	16,888	(19.4)

Circulation losers

(5% or more decline in total circulation 1984-1987)

1. Colorado Homes & Lifestyles	25,291	17,014	– 8,277	(–32.7%)
2. Louisiana Life	49,067	33,064	16,003	(32.6)
3. St. Louis Magazine	30,832	23,925	6,907	(22.4)
4. Dallas Cowboy's Official Weekly	81,799	64,035	17,764	(21.7)
5. Lakeland Boating	44,193	35,258	8,935	(20.2)
6. Oklahoma Home & Lifestyle	9,242	8,006	1,236	(13.4)
7. Honolulu	35,495	31,956	3,539	(10.0)
8. Oregon	27,625	25,401	2,224	(8.1)
9. Chicago	221,728	204,072	17,656	(8.0)
10. Fins and Feathers	418,359	387,148	31,211	(7.5)
11. Western Outdoors	150,887	140,115	10,722	(7.1)
12. San Diego Home/Garden	33,465	31,209	2,256	(6.7)

Source: Capell's Circulation Report

Playbill is not one of these, and neither is the in-flight genre. The Association reflects an industry consensus in not including such regional bywords as *Sunset, Southern Living,* and *Yankee.* The difference between these and *New England Monthly, California* or *Texas Monthly* is not always visible to the naked eye, and all these titles are active competitors for certain types of advertising. Mike Levy brushes off *Sunset* as a "shelter book," a label that resounds a bit narrowly for that revered institution, but it seems on target for the proliferating local *Home and Garden* knockoffs. "They are offshoots of national shelter books with regional skews," says Levy.

David Verklin, media director for Hal Riney and Partners, San Francisco, draws the distinctions quite differently. He combines *Texas Monthly* and *Sunset* in the same category of strong regional titles that can pull in national advertisers. He finds a second grouping in city magazines that highlight utility to the readers with events, restaurant listings, and strong editorial—and local advertisers. Finally, there are atmospheric titles such as *Washington Magazine* (state in Pacific Northwest) that deliver a soft, pictorial sense of a region with a travel emphasis underscored by flawless production. Advertising in this category goes from none (*Arizona Highways*) to travel and regional. "You've got to be in one of these categories," says Verklin.

To illustrate, he singles out one that he does not feel matches the useful categories. "What is *California* magazine? As an advertising vehicle, the title is firmly in the grip of national accounts, with only a few local accounts. As a service to readers, its past financial problems, from the inception as *New West*—a Pacific Coast echo of *New York*—were owing to the inability to find a single editorial concept in service to the largest state, its diverse cities, peoples and tastes.

> "The remorseless arithmetic of market size can be dodged, to a point, if a magazine sets its sights on unusual concentrations of moneyed persons."

Is the market big enough?

To get advertisers, your readers must be in the top 10 percent income group, says Merrill. "Our magazines are for people who wear furs. This is how you get Lion d'Or [a high-tab venue for lobbyists' lunches] to commit for advertising. Ninety percent of their customers read our magazine."

The smaller the market, the smaller the number of affluent readers and the fewer firms geared to courting their favor. Merrill's locale is illustrative, comparing Washington, D.C. (Census Bureau's ninth largest metro area in 1984, with 3.43 million people), and Baltimore (the 16th metro in 1984, with 2.25 million). Merrill says, "There are three places that repair a patio in Baltimore. There are 20 in Washington." In turn, "Baltimore will be many times Syracuse," the latter being metro rank number 54, with 0.65 million population. "A city magazine," he concludes, "will work in Syracuse only as a Mom and Pop operation."

The remorseless arithmetic of market size can be dodged, to a point, if a magazine sets its sights on unusual concentrations of moneyed persons, hoping certain advertisers will pay a premium. In California, *Santa Barbara* is a theory in search of a mother lode of hillside-dwelling rich folks, but the whole county of Santa Barbara may not have 300,000 residents. Even higher up the upscale are *Palm Springs Life*; perhaps *Beverly Hills* (a title honoring a small municipality); and *Avenue* in the East (which pays homage to a thoroughfare).

The owners of such titles rarely invite ABC auditors to peruse their circulation bases. Instead, they commission analyses of their readerships to demonstrate the unusual ability of their audience to increase the velocity of money. Probably these demographic studies go unread—at least for titles such as *Palm Springs Life*, which convey all necessary meaning by themselves.

But the blunt fact is, magazines that serve small towns are vulnerable. A circulation of 15,000 in four color is anemic. If even that is unverified, no sooner will the national economy tilt into a bad quarter than sharp-tongued advertisers will begin to mutter about

real circulation being perhaps even less. Then those fickle, fur-swathed rich folk may alter their patterns of extravagance, and the local publisher will have run out of room.

Ed Self recalls an industry panel where he debated Mike Levy on the question of whether a good city or regional magazine could be published if circulation was stuck below 100,000. Levy was skeptical, but Self proved it possible in San Diego, then with about 50,000 paid, now 66,000. But what happens when a mere 50,000 seems out of reach? Perhaps 200 "Your location" titles are poised to reveal this, one by one.

Consolidation: One answer

Mike Levy's purchase of *California* magazine probably came a few years too soon, and left the well-intending parent with a dent in its wallet. More recently, *Texas Monthly* has preferred to stick with its troubled neighborhood, secure in the knowledge that oil and gas will be worth something one day.

Three other consolidations, taken together, are enough to indicate a trend. The impetus comes from the best-run and probably most profitable titles. Herb Lipson's Metrocorp, publisher of *Philadelphia*, acquired *Boston*, and after several years of fussing with its editorial content turned it into a monster success. Ron Javers, vice president and editor in chief of Metrocorp, claims that *Boston* is one of the most profitable magazines in the country. "Not city magazines. *Magazines*." In New York, Metrocorp has launched *Manhattan,inc.*, targeting a hyper-affluent stratum at the top of the usual city-title targeted elite. Editorial is first rate, and economic performance is inconclusive. Last year, Metrocorp added another solid title, *Atlanta*.

According to Javers, a "Metro Power Group" will be sold to national and regional buyers who want to add these types of readers in the East Coast. Editorial will be done locally, but will pool a Washington bureau, fashion and certain travel.

In the West, Self doesn't quit. He adds *San Diego* and *San Francisco Focus* to Capital Cities/ABC's prosperous *Los Angeles* to form a California City Group. Each magazine offers a 5 percent discount for a group buy. The group concept has gained its members a solid entree to the wonderful world of national advertising.

The third consolidation, by an owner named Norman B. Tomlinson Jr., may be the most striking because it does not hinge on an assumption of regional convergence, the way Herb Lipson's or Cap Cities' projects do. Tomlinson had a group of five magazines that completely covered Florida, and the homes and gardens of that state. He bought the lucrative *New Jersey Monthly* and then *Pacific Northwest*. If his project shows that magazines reap advantages under a common roof, many others will follow. Already it is clear that groups are easier for an agency to buy, and afterward to monitor.

For local markets, outside of the top 10 or 12, as soon as we feel the next cold snap in the leading indicators, we may be witness to a crack developing, right through the middle of the magazine advertising marketplace. On one side, strong titles will grow even more by feeding on generous portions of national advertising. In general, small titles will swan dive, but a fraction will continue, having built reserves of reader loyalty and local advertiser service.

The most important fixed cost in a magazine is the struggle to compete for people's time. In that struggle, editorial content—design and writing and photography—will make the difference.□

Business regionals: More power than profit

BY KARLENE LUKOVITZ

Ten years ago, the publishing and investment communities watched with interest and some skepticism as publications devoted exclusively to regional business began emerging in markets as diverse as Chicago and Florida. Today, there are more than 250 such publications in North America—and the skeptics are still watching.

The category is a mixed bag of some very profitable publications and many marginally profitable or downright unprofitable publications. At the top of the heap are notable successes such as *Crain's Chicago Business*, *Florida Trend* and *Corporate Report Minnesota*, all of which are relatively mature properties; at the bottom are a much larger number of struggling publications that may or may not survive their infancy and adolescence.

Increased interest in in-depth local business news, which traditionally had been neglected by community newspapers, coupled with extremely upscale reader demographics, spurred the rapid growth of regional business publications. In 1979, when the Association of Area Business Publications (AABP) was founded, there were 44 members with a total circulation of

City/state/regional consumer magazine ad page gains and losses

June 1984 June 1987

	1,000+ advertising pages 1984-1987		
	1984	1987	Gain/loss
1. New York	2,955	3,135	+180 (+ 6.1%)
2. Boston	1,831	2,025	+194 (+10.6)
3. The Washingtonian	1,866	1,923	+ 57 (+ 3.1)
4. Philadelphia	1,636	1,820	+184 (+11.2)
5. Los Angeles	2,508	1,800*	−708 (−28.2)
6. San Diego	1,867	1,735	−132 (− 7.0)
7. Sunset	1,684	1,476	−208 (−12.4)
8. Southern Living	1,625	1,452	−173 (−10.6)
9. Florida Sportsman	998	1,390	+392 (+39.3)
10. D Magazine	1,649	1,360	−289 (−17.5)
11. Chicago	1,763	1,323	−440 (−25.0)
12. Mpls. St. Paul	1,172	1,287	+115 (+ 9.8)
13. Texas Monthly	1,657	1,271	−386 (−23.3)
14. San Francisco Focus	831	1,249	+418 (+50.3)
15. Salt Water Sportsman	833	1,188	+355 (+42.6)
16. New Jersey Monthly	669	1,140	+471 (+70.4)
17. Detroit Monthly	866	1,135	+269 (+31.1)
18. Southwest Art	1,045	1,013	− 32 (− 3.1)
Total	27,455	27,722	+267 (+ 1.0%)

Source: Capell's Circulation Report, based on information from *Advertising Age* and Media Industry Newsletter. The analysis covers all U.S. city-state-regional consumer magazines that were members of ABC for each of the last four years (June 1984-June 1987).
* CCR estimate

687,000; today there are 97 members with total circulation of 2.4 million. (Fifty-four of these publications are ABC-audited and can be assumed to be between 50 percent and 100 percent paid circulation; the rest are BPA audited and largely nonpaid.) But circ growth for the group as a whole has slowed as major markets have become saturated with these publications.

Some of the business regionals have impressive advertising volume. Of 37 tracked by *Advertising Age*, 14 carried over 1,000 ad pages each in 1987; half of those had over 1,500 pages. Another dozen carried between 800 and 1,000 pages.

Total pages for the tracked publications was 36,579; however, this represented only a 3.5 percent increase over 1986. In comparison, the 14 national business publications tracked were up by 11.2 percent, to 20,379 pages for the year. (In 1986, the regionals had outstripped nationals in page growth by a considerable margin.) There are no page statistics available to help gauge the advertising strength or weakness of the more than 100 other business regionals around the country.

Number of pages, of course, is only half the picture; rates are the other. Among AABP members, four-color, one-time rates for a 7" x 10" ad range from $863 (*Arizona Business Gazette*) to $10,395 (*California Business*); for a third of members, the rate falls somewhere between $2,000 and $3,000. "I'd say that in all but the top markets there isn't enough of a market to justify the ad rates you'd need to make a real profit," says Metrocorp's Lipson.

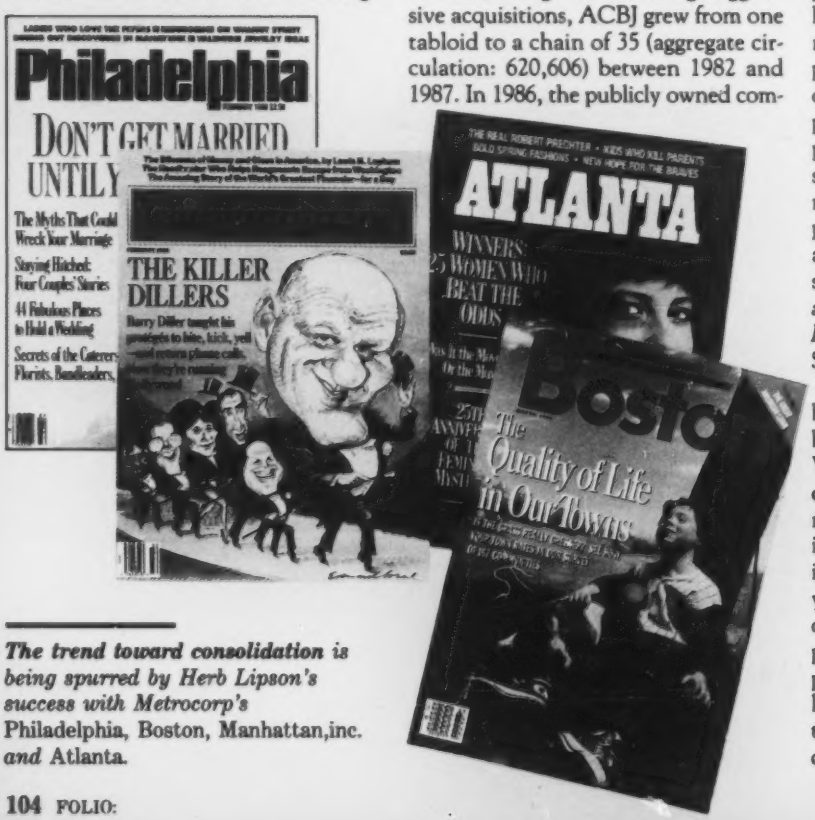
According to a 1987 Erdos & Morgan study of 52 AABP publications, advertisers are getting an impressive audience for their dollars. On average, readers of these publications have a net worth of $807,635 and a household income of $106,113. Sixty-three percent are in top management. All these statistics compare favorably with those of major national business publications. And, as AABP is fond of pointing out, less than half of local business publication readers subscribe to *The Wall Street Journal*, and only one in five subscribes to *Forbes* or *Fortune*. Overall, there's only a 50/50 chance that the local business publication reader reads any national business publication, according to AABP.

In the past year, the aura of the category as a whole has suffered from publicity surrounding the financial troubles of American City Business Journals, Inc.(ACBJ), which has been by far the largest entity in the world of business regionals. Through aggressive acquisitions, ACBJ grew from one tabloid to a chain of 35 (aggregate circulation: 620,606) between 1982 and 1987. In 1986, the publicly owned company bought more than two dozen papers, including 10 previously owned by Scripps Howard Business Publications. It spent large sums not only on acquisitions, but on forming a network, along with 18 other regionals, to go after national advertising (one of three such networks now in existence); on trying to convert all of its nonpaid properties to paid circulation; and on improving the quality of the papers themselves.

But, after seeing its reputation and stock price soar, the company reported hefty losses in 1987—$12 million through the first three quarters alone on revenues of $80 million. Last fall, it announced plans to sell off (but maintain management of) two unprofitable publications in the extremely competitive California market, *Los Angeles Business Journal* and *San Diego Business Journal*. The buyers—"certain private investors"—agreed to give ACBJ 50 percent of net operating income or proceeds of a subsequent sale and carry all operating losses themselves, according to American City's president, William Worley.

For a time, the company itself was on the block, but its stock price, which had jumped to over $40 per share amid takeover rumors, dropped to about $15 per share after the stock market crash last October. Since then, ACBJ has announced that it will not sell the company, and will instead streamline operations and reduce debt, in large part through selling off unprofitable publications. As of February, eight such sales were in the works. In that month, the company also sold two profitable publications, in Sacramento and San Diego, and claimed to be considering the sale of two more, *Indianapolis Business Journal* and *Pittsburgh Business Times-Journal*, for $17 million.

Only 10 to 12 of the company's stable of 36 publications were not profitable, according to industry sources. But Worley maintains that, with the sell-offs, the newly conservative management approach, and the imminent fruition of those publication-improvement investments, ACBJ will end up this year with 21—"or maybe 22"— wholly owned, profitable business regionals, plus three or four partially owned, unprofitable ones. Most important, at least for stockholders, Worley claims that the publication sales will leave the company debt free, "with $10 million


Philadelphia
DON'T GET MARRIED UNTIL Y
The Myths That Could Wreck Your Marriage
Staying Hitched: Four Couples' Stories
44 Fabulous Places to Hold a Wedding
Secrets of the Caterers, Florists, Bandleaders,
THE KILLER DILLERS
ATLANTA
WINNERS: 25 WOMEN WHO BEAT THE ODDS
BOSTO
The Quality of Life in Our Towns

The trend toward consolidation is being spurred by Herb Lipson's success with Metrocorp's Philadelphia, Boston, Manhattan,inc. *and* Atlanta.

to $12 million in cash left over."

Whatever the outcome of American City's problems, some regional publishers contend that its situation should not be considered representative of either the current or future health of business regionals as a whole. "American City's principals saw a rapidly expanding field and were sharp enough to consolidate a large part of the market," asserts a leading figure in the local business publishing industry. "But they built to sell, not to manage." (Worley contends that he and partner Michael Russell "had no preconceived notions" in putting the chain together and had not anticipated selling off parts of it.)

Publishers point out that nearly all business regionals originated as Mom and Pop operations and that, although there may be some three to four publication chains that are prospering, this publication genre simply may not lend itself to a corporate mentality.

"Business regionals are much better suited to an entrepreneurial mentality," says Robert Kehoe, president of Publishers Resource Organization, consultants specializing in investment banking, mergers and acquisitions of secondary print media, and former COO of *Florida Trend*. "Throwing massive amounts of money at what are essentially entrepreneurial firms, especially without tracking every dollar, is not a workable approach. With these magazines, the key is having someone locally who really cares, who is involved in the region and in serving the needs of its business community."

Worley says he agrees with this assessment, but adds that a chain doesn't have to have a corporate mentality. "We let our publishers have lots of leeway and independence," he says.

"Chains have the numbers and the demographics at their finger tips to give to advertisers," says *Regardie's* publisher Michael DeSimone. "They have the economies of scale for production and other operational areas. But you also have to make it work on an editorial and advertising level. I think American Cities can be successful if they dig into their souls."

One publisher notes that Media General, which started *Virginia Business* "as a test in its own backyard," has since looked into buying or starting other local business publications, but has found that the profit would not be significant enough for a company of its size. "For a medium-size media company like Crain, though, regionals make a lot of sense," he says.

***Saturated market:** Just four of the numerous regional business publications now serving the California market—one of the most competitive and potentially lucrative in the country.* **LA Business** *is a new entry from the publisher of* **California Business.**

Kehoe says there are two ways to make money on business regionals. "You can develop them as assets to be sold off, or you can get a good, disciplined publisher in a good market with a good staff and you can operate and make money over the long term.

> "Throwing massive amounts of money at what are essentially entrepreneurial firms is not a workable approach."

If you pull the right elements together, you can develop a cash cow." All other factors being equal, the crucial difference between a profitable and unprofitable business regional is the disciplined management, he stresses.

Those other factors are hardly incidental, however. Assessing the potential of a given market—its business population and demographics, competitive environment, human resources and a host of other factors—is complex and potentially treacherous. Competition is key: Witness the struggle now taking place among business regionals in the saturated but oh-so-promising California market. Then there's New York City, which would seem to be the ultimate market for business regionals. Yet neither the critically acclaimed *Manhattan,inc.* nor *Crain's New York Business* is profitable, and at least two earlier New York City business regionals bit the dust.

"The New York scene is hard on business magazines," says Hershel Sarbin, a consultant who specializes in publishing mergers and acquisitions. "Local business magazines of a general nature have to contend with the new, more specialized publications that cover only local real estate, or local investment, or other businesses, not to mention the national business magazines, because so much national business takes place in New York. As either a reader or advertiser, I'm flooded with options."

Lipson, who says he'd anticipated seeing *Manhattan,inc.* break even in 1987, until the stock market crash hit, sees no threat posed for his publication by narrower business papers. "But we're not a newspaper, we're a magazine," he says. "Our editorial scope is much broader. We cover people on the world stage who have relevance to the New York scene. Most New York business people operate nationally or inter-

nationally. Twenty-five percent of our circulation is outside of New York; California is our second-best circulation area."

In general, according to Sarbin, it's tough to know from market to market whether there is the right mix for a regional business publication. "If you want paid circulation, it may be hard to maintain a sufficient level of renewals, even in a major city," he says. "And the gross dollars you can charge per page in a city market are limited."

"Having sufficient penetration of the market is important," says *Crain's Chicago Business* publisher Joe Cappo. "A 5,000 circulation might be fine for Baton Rouge, but it's not good enough for Philadelphia.

"It's yet to be determined whether smaller markets can support regional business publications," Cappo adds. "The number of regionals has increased dramatically, and they're getting into smaller and smaller markets." He notes that some of these publications do have the advantage of being started by companies that have already established a profitable flagship regional.

Cappo, DeSimone and others emphasize that even in a ripe market a magazine or tabloid must build a franchise with the reader before advertisers can be wooed. This means strong, honest reporting (the temptation to win advertisers over with local boosterism is strong); it also means a sophisticated look.

"These days, the marketplace demands a slick, sophisticated product right from the start, with demographic studies, auditing and all the rest," says the former owner of several regionals. "Start-ups today need a lot more capitalization than start-ups 10 years ago."

How many are profitable?

"By and large," says Cappo, "the ones that are profitable are the ones that are good editorial products."

One veteran of local business publishing estimates that perhaps only 20 percent of all business regionals are profitable; others contend that this paints too bleak a picture. "There are a lot of unprofitable ones, but 70 percent or 80 percent is probably way off base, based on my own knowledge of the category," says Cappo. "The industry isn't in trouble, but a lot of individual members are, because they aren't being run well."

"A number of the better managed ones make 30 percent to 38 percent pretax profit," says Kehoe, "and it's not difficult for a relatively well-managed one to make 20 percent. There are also poorly managed publications that lose a *lot* of money. But I don't believe that 80 percent are unprofitable."

Peter R. Kent, managing director of Henry Ansbacher, Inc., offers a less sanguine assessment. "In general, business regionals are a tough business in which to make a decent dollar. There aren't many out there that have a bottom line in excess of 10 percent of revenues. And there are very few that reach that level that aren't part of a larger organization like Crain's." Kent says it would be particularly difficult for any entrepreneur to get seed money for a business regional at this time, due to the negative American City publicity, although he adds that he thinks ACBJ's troubles may be being exaggerated.

> "Advertisers who wouldn't think of using regionals five years ago are today doing so or seriously considering it."

"I think the bloom is off the rose," says Lipson, predicting an end to the gusher of business regional start-ups. "Most of these publications aren't very good, and I'd guess that most of them lose money, or barely make a living for someone."

Still, as several sources noted, most business regionals are less than five years old, and a publication of any kind rarely shows a profit in the first few years. *Crain's Chicago Business* became profitable in year four, according to Cappo, who asserts that Crain's Detroit and Cleveland business books are also in the black.

What's ahead

With the growth of mature business regionals leveling off, viable start-up markets dwindling, and competitive battles in major markets, the business regional category is in a period of shakeout similar to the one experienced by general, consumer-oriented city magazines.

In addition, the stock market crash will damage some business regionals, even though local real estate, office equipment, financial services and travel advertisers account for 80 percent to 90 percent of regionals' ad pages. "Since Black Monday, retailers have been pulling back right and left," says one major market publisher. But, says Ansbacher's Kent, "Because they don't have much national advertising, I don't think the stock market will much affect them, except the high fliers like American City—or those whose local economies have been hard-hit by the crash for some reason."

"With the economic crunch and intense competition from newspaper business sections and targeted editions of national business magazines, I'd be very, very careful about being enthusiastic about investing in a regional business magazine," says Sarbin. Meanwhile, a recent *Esquire* article predicted that "chichi local business magazines" will soon be swept away, along with yuppiedom, by a major recession.

But glib dismissals of this category seem premature. Cappo, who says that direct mail is a bigger threat than local newspapers because it, like regional business publications, is highly targeted, also says that business regionals are drawing more national advertising because of the trend to regional marketing of national products.

"Companies that wouldn't even think of using regionals five years ago are today either doing so or seriously considering it," he says, citing AT&T, American Express, MCI, BMW and Apple Computer. Still, the networks haven't yet been accepted by most national advertisers, and publications with less than a half million circulation, even within a targeted market, aren't likely to get their feet in the agency door unless they're part of a chain.

Given the overall evidence, the odds are that mature, profitable business regionals will weather the crash and perhaps even expand their slice of national ad dollars over the next few years. But a good many start-ups in secondary and tertiary markets may fail to stay afloat, while the weaker entries in highly competitive markets will be eaten up or forced out—perhaps allowing the survivors to join the exclusive ranks of more than marginally profitable business regionals.□

Magazines as moneymakers

They may not score well compared to the superstars in today's communications industry, but . . .

BY JOHN FRY

An investor or entrepreneur wanting to participate in the profitable, fast growing communications industry, where revenues advanced twice as fast as the Gross National Product's growth of 7.4 percent in the period 1982-86, could do handsomely by putting his money in newspapers or cable TV. The profitability of these segments of the communications industry is outstanding, with pretax income equal to around 18 percent of revenues. A person could also own a magazine and still find it more profitable than most other industries.

Nevertheless, according to the New York communications investment banking firm, Veronis Suhler & Associates (VS&A), consumer magazines ranked last in pretax operating margin among 10 segments of the communications industry in 1986, the most recent year for which data are available.

Publicly owned business magazine publishers did better—12.8 percent pretax income (as a percentage of revenues) versus 8.7 percent for consumer magazines. Still, the profitability of business magazine publishing suffered a sharp decline between 1984 and 1986, as reported in VS&A's recently published (December 1987) annual *Communications Industry Report*.

Given these results, why are magazines targeted as desirable takeovers by many communications companies? Why do they attract leveraged buy outs? What encourages investors to continue to put money into magazine start-ups?

"Consumer magazines don't rank high in profitability within the communications industry," says J. Michael Hadley, a senior vice president of Veronis Suhler, who specializes in magazines and advertising. "That's because they're being measured against profit superstars. But compared to manufacturing or transportation, for example, communications is a high performance industry—and magazines, in reality, are doing well."

To underline Hadley's point, *Business Week*'s Top 1,000 Companies had a composite margin (profits as a percentage of sales) of 4.7 percent in 1986, compared with 14.6 percent for the 267 publicly owned communications companies tracked by Veronis Suhler & Associates.

Meanwhile, General Electric Co., one of the country's best managed corporations, earns a pretax profit of 7 percent to 8 percent. That contrasts with 11 percent for all magazines, publicly and privately owned, as measured by Magazine Publishers of America.

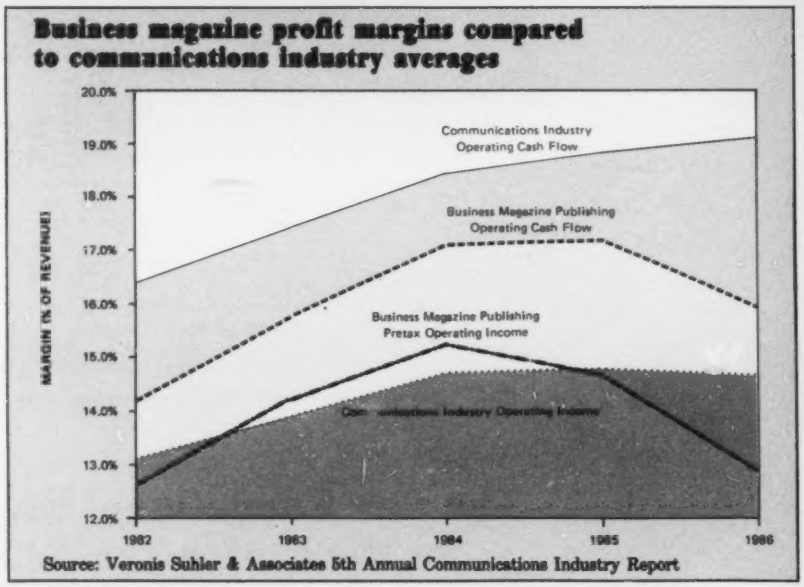
A lure to investors

But it's cashflow that makes magazines particularly attractive to investors, according to James E. Boddorf, Veronis Suhler & Associates executive vice president for business magazine publishing and business information services. Boddorf notes that business magazines generate a 16 percent (of revenues) cashflow margin, which is better, for example, than book publishing, recorded music and entertainment.

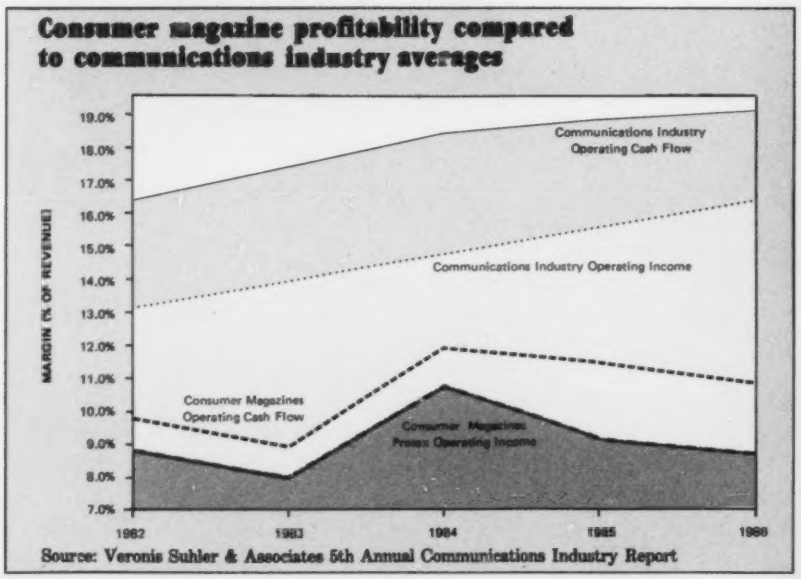
Cashflow margin is not one of your everyday operating words in magazine publishing, but Boddorf calls it "the mother's milk of the business." Says Boddorf, "It's what enables owners to reinvest in growth activities, borrow funds and pay dividends. It's the single most important thing investors look at when acquiring magazines."

Pretax operating income, the most

John Fry acted as Editorial Consultant to the 1986 Communications Industry Report. *He recently completed the start-up of* Snow Country, *a new magazine from the New York Times Magazine Group.*



***Profitability of business magazine publishing sagged** in 1986. Pretax operating income margin fell to 12.8 percent, slightly below the level of five years earlier. Business magazine publishers once outperformed the average of the communications industry in pretax income margin, but in the last two years have fallen below. Nevertheless, an operating cashflow margin of 16 percent for the business magazine segment is the fifth best in the communications industry.*



***Profitability of consumer magazines** over five years—shown here as pretax income and cashflow margins, or percentages of revenue—is below the rest of the communications industry. But at 8 percent to 11 percent, magazine margins generate a better return than can be realized in many other businesses. The communications industry's own margins of 16 percent to 19 percent in 1986 make it a profit superstar.*

widely used measure of magazine publishing profitability, is what's left from revenues after you've paid all operating costs, met selling and general administrative expenses, and accounted for depreciation and amortization. The latter two, however, are not cash expenses. They are calculated as a percent of physical plant and other assets of the publishing business; when they are

"While cashflow margin is not one of your everyday operating words in magazine publishing, it's the 'mother's milk' of the business."

[redacted]

brought into play, they have the effect of reducing the amount of the company's income that is subject to tax.

Operating cashflow, on the other hand, excludes depreciation and amortization because they are not part of the out-of-pocket expense of operating the business, but are merely bookkeeping entries reflecting the treatment of previously acquired assets.

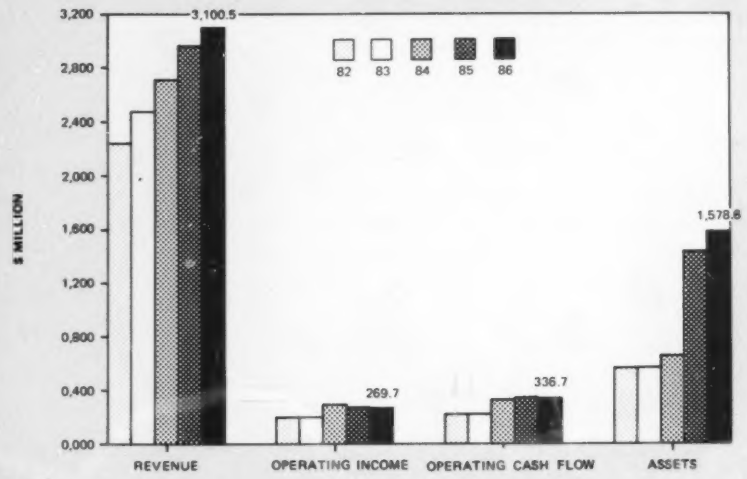
Another attractive factor

Moreover, the *Communication Industry Report*'s measure of cashflow does not include another important aspect of consumer magazine operation: deferred subscription income. This is the cash that readers advance to the publisher for their subscriptions. Before the publisher has the expense of printing and delivering magazines to the readers, he has the use of their cash. When you add that factor to cashflow, it becomes easier to understand why magazines are attractive properties.

"All in all, cashflow is a better and truer reading of the magazine business," says Boddorf.

Cashflow also figures strategically in takeovers. When an acquirer takes over a magazine, the purchase price becomes the new asset base. This new larger number generates higher depreciation and amortization charges. As

Consumer magazines data summary 1982-1986



Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***The profit performance of publicly owned consumer magazines** remains flat. Although revenue grew a modest 4.6 percent from 1985 to 1986, pretax operating income actually declined to a level $23.5 million below that of 1984. But the asset return of magazines is healthy. In 1984, for example, $1 of assets generated better than $4 of revenue and almost 50 cents of pretax income, a performance unrivaled by any other segment of the communications industry. Note also the huge jump in asset value of publicly owned consumer magazines between 1984 and 1986, a result of Time Inc.'s acquisition of* Southern Living *and CBS's acquisition of the Ziff Davis consumer titles. Although they negatively affected operating income, the mergers left cashflow intact, an important lesson of magazine takeovers.*

a result, net income may drop. But cashflow is unaffected and may even be higher.

"Higher amortization reduces reported earnings," notes Boddorf, "but cashflow is unaffected. And if the takeover produces operating efficiencies, cashflow may improve."

According to the report, magazine publishing enjoys better cashflow as a percent of employed assets (around 23 percent in 1986) than do radio and television broadcasting, book publishing and cable television.

Reasons to invest

Meanwhile, cashflow isn't the only reason magazines continue as an attractive business to be in, despite pretax and after-tax income margins that aren't as high as they are in other segments of the communications industry.

"Magazines are extremely attractive to invest in," says Hadley, "for a variety of reasons. For one thing, magazines aren't as vulnerable to technical change and to competition in the United States from foreign imports such as steel or electronic products, for example."

If language and culture erect powerful barriers against foreign competition and imitators, Hadley also stresses that magazines are a transitory and a talent business.

"With magazines, it doesn't take a

Profitability leaders

RANK	1986 RETURN ON ASSETS (%)		1986 MARGINS (%)		82 V. 86 MARGIN CHANGE (POINTS)	
	PRETAX OPERATING INCOME					
1	Newspaper Publishing	27.0%	Newspaper Publishing	19.4%	Recorded Music	6.2
2	Business Information Services	23.6%	Business Information Services	19.1%	Newspaper Publishing	5.0
3	Recorded Music	22.3%	Cable Television	17.8%	Business Information Services	3.0
4	Business Magazine Publishing	18.4%	Radio & Television Broadcasting	15.6%	Cable Television	2.3
5	Consumer Magazine Publishing	17.9%	Business Magazine Publishing	12.8%	Book Publishing	1.7
6	Radio & Television Broadcasting	12.5%	Book Publishing	12.6%	Radio & Television Broadcasting	0.3
7	Book Publishing	11.8%	Recorded Music	11.4%	Consumer Magazine Publishing	(0.1)
8	Entertainment Programming	7.4%	Entertainment Programming	9.5%	Business Magazine Publishing	(0.4)
9	Advertising Agencies	7.1%	Advertising Agencies	8.8%	Advertising Agencies	(0.6)
10	Cable Television	6.7%	Consumer Magazine Publishing	8.7%	Entertainment Programming	(2.6)

Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***Compared with other segments of the communications industry**, business and consumer magazine publishers do well in terms of pretax income as a percent of their assets—in other words, return on money they have invested in the business. Business magazines also do well in the traditional measure of profitability: income as a percent (12.8 percent) of revenues. Consumer magazines, however, rank last in pretax margin (8.7 percent). Magazine publishing also failed to record any improvement in profitability (margin change) between 1982 and 1986. By comparison, note that business information services—a product that can be generated by magazines in the form of databases—outperformed publishing in the five-year period.*

lot of capital to go after a bright new idea," he says, noting that magazines generate revenues relative to their asset base that are unequaled in the communications industry. In the years 1982 to 1986, for example, the VS&A segment of publicly owned consumer magazines generated between two and four dollars for every dollar of gross assets employed. Contrast that with the next best performer, radio and television broadcasting, where it took one dollar of assets in 1986 to generate just 68 cents of revenue.

"You don't need to own a printing press to publish a magazine," says Boddorf. "Equally well known is that a magazine's principal assets often go down in the elevator every night."

Because magazine publishing is not a capital-intensive business, but one where unique concepts are important,

"Given these results, why are magazines targeted as desirable takeovers by many communications companies? Why do they attract leveraged buy outs? What encourages investors to put the money in magazine start-ups?"

[redacted]

the rewards can be bountiful when a magazine is sold . . . often at a high multiple of the investment originally needed to start it.

A very dynamic business

"It's a very dynamic business," notes Hadley, who is the former president of Times Mirror Magazines, Inc. "As changes occur in our society, they create publishing opportunities for magazines.

"Consumer magazines reflect what people are doing at any given time. Standard Rate & Data, for instance, listed 50 percent more consumer magazines in 1986 than there were in 1977," says Hadley. "There were 18 categories in SRDS that did not exist 10 years earlier, including computers and

Profitability and growth of five business magazine publishers

Business magazine publishing company	Pretax income margin as % of revenues	1986 cashflow as % of revenues	1986 cashflow as % of assets	1982-86 annual compound growth in revenues
Capital cities/ABC	16.4%	19.8%	28.0%	25.7%
United Newspapers (Gralla, Miller Freeman)	13.9%	18.5%	16.2%	22.5%
McGraw-Hill	13.3%	15.0%	26.7%	4.4%
Pittway (Penton/IPC)	12.5%	13.8%	41.5%	7.7%
Maclean Hunter	10.1%	13.0%	29.8%	10.8%

Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***In business magazine publishing, growth and profitability** appear to go hand in hand, as evidenced by these performance statistics of the five largest (in revenues) business magazine publishing companies. Note the combined operation of ABC Publishing and Capital Cities business and trade magazines that took effect in 1986. Not only did it create the revenue leader in the field, but an unrivaled performer in such measures of profitability as pretax income margin (16.4%), cashflow margin (19.8%) and return on assets.*

Profitability and growth of five consumer magazine publishers

Consumer magazine publishing company	Pretax income margin as % of revenues	1986 cashflow as % of revenues	1986 cashflow as % of assets	1982-86 compound annual growth of revenue
New York Times (*Family Circle, Golf Digest/Tennis*)	11.6%	12.9%	23.3%	6.7%
Historical Times (*American History Ill., Country Journal*, etc.)	11.1%	15.6%	29.5%	20.7%
Meredith (*Better Homes & Gardens, Ladies' Home Journal, Sail*, etc.)	10.6%	12.1%	28.8%	1.4%
Time (*Time, People, Sports Illustrated, Southern Living*, etc.)	10.3%	11.4%	28.8%	13.8%
News America (*Star, New York, Elle*, etc.)	6.2%	15.2%	15.0%	NA*

*48.7% growth in 1986; 45.7% in 1985.
Source: Veronis Suhler & Associates 5th Annual Communications Industry Report

***Profit margin leaders in consumer magazine** publishing are New York Times Magazine Group and Historical Times, a highly focused special interest publisher. Time Inc., however, is not far behind and, by virtue of its size, generates the largest dollar profit stream of any magazine publisher, while growing its revenues at a 13.8 percent compound annual rate.*

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fitness," he adds.

Boddorf, a former executive vice president of the McGraw-Hill Publications Company, echoes Hadley. "New business magazines constantly are coming into being to reflect changes in the economy and the creation of new technologies and industries," Boddorf points out. "It's a very dynamic environment."

Both VS&A executives agree that magazine ownership can position a company to enter new fields. Subscribers can be persuaded to buy other products. "Readers Digest, for example, used their lists to get into [condensed] books," notes Hadley. "Books led them into travel and home improvement. Now Reader's Digest has completed the loop by buying *Travel Holiday* and *Family Handyman* magazines."

> "Publishers shouldn't be just magazine lovers. They should be information lovers, with the magazine serving as the core of the information services they offer."

Business magazines, on the other hand, have the opportunity to use the special knowledge of their fields to become information providers. Certainly the profits are attractive.

In Veronis Suhler's *Communications Industry Report*, Business Information Services rank second only to newspaper publishing as the most profitable segment of the communications business. Thirty-one publicly owned companies creating and selling business information, including giant McGraw-Hill, enjoyed a 19.1 percent pretax operating income margin in 1986, far better than magazines.

"One of the attractions of the business information services segment," says Boddorf, "is that while the ways to success are less well known, when you do find them, competitors don't immediately come in, as they do in magazine publishing.

Although business magazines have been suffering a downturn in profits (pretax income of this VS&A segment fell 4.6 percent in 1986), Boddorf believes a turnaround is inevitable. But he says that many business magazines could be doing better if they had developed ancillary activities such as seminars, conferences, books, newsletters and computer databases to offset advertising's cyclical downturns.

"Too many publishers are focused totally on their magazines, only attempting to maintain or increase their share of linage, cutting ad rates if necessary. It has eroded profits.

"Publishers shouldn't be just magazine lovers," concludes Boddorf, "they should be information lovers, with the magazine serving as the core of the information services they offer.□

Where to find the financial data

First published six years ago, Veronis Suhler & Associates' *Communications Industry Report* (*CIR*) is a unique document that presents voluminous financial data about the performance of media companies and other segments of the communications industry. The research comes exclusively out of publicly available information from the Securities and Exchange Commission filings of companies and from their annual reports and proxy statements. The report cuts through multimedia ownership to show how corporations are performing in any of 10 segments of the communications industry.

The recently published 5th annual *Communications Industry Report* covers the 1986 financial performance of 267 publicly reporting companies in print, radio, television, entertainment programming, recorded music and advertising.

For more information about the *CIR*, contact Ronald Dronzek, Research Director, Veronis Suhler & Associates Inc., 350 Park Avenue, New York, New York 10020.

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136-144